

Risk Factors Comparison 2024-03-18 to 2023-03-29 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

Our Business Depends On Our Ability to Successfully Manage Credit Risk. The operation of our business requires us to manage credit risk. As a lender, the Bank is exposed to the risk that borrowers will be unable to repay their loans according to their terms, and that the collateral securing repayment of their loans, if any, may not be sufficient to ensure repayment. In addition, there are risks inherent in making any loan, including risks with respect to the period of time over which the loan may be repaid, risks relating to proper loan underwriting, risks resulting from changes in economic and industry conditions and risks inherent in dealing with individual borrowers. In order to successfully manage credit risk, we must, among other things, maintain disciplined and prudent underwriting standards and ensure that our loan officers follow those standards. The weakening of these standards for any reason, such as an attempt to attract higher yielding loans, a lack of discipline or diligence by our employees in underwriting and monitoring loans, the inability of our employees to adequately adapt policies and procedures to address changes in economic or other conditions affecting borrowers (such as the current recessionary environment and **rising higher** interest rates) and the quality of our loan portfolio, may result in loan defaults, foreclosures and additional charge- offs and may necessitate that we significantly increase our allowance for **loan-credit** losses, each of which could adversely affect our net income. As a result, our inability to successfully manage credit risk could have a material adverse effect on our business, financial condition or results of operations. The Company's Profitability Depends On The Bank's Asset Quality and Lending Risks. Success in the banking industry largely depends on the quality of loans and other assets. A significant source of risk for us arises from the possibility that losses will be sustained because borrowers, guarantors and related parties may fail to perform in accordance with the terms of their loans. The Bank's loan officers are actively encouraged to identify deteriorating loans. Loans are also monitored and categorized through an analysis of their payment status. The Bank's failure to timely and accurately monitor the quality of its loans and other assets could have a materially adverse effect on the operations and financial condition of the Company and the Bank. There is a degree of credit risk associated with any lending activity. The Bank attempts to minimize its credit risk through loan diversification. Although the Bank's loan portfolio is varied, with no undue concentration in any one industry, substantially all of the loans in the portfolio have been made to borrowers in central, west central, and southwest Missouri. Therefore, the loan portfolio is susceptible to factors affecting the central, west central, and southwest Missouri area and the level of non- performing assets is heavily dependent upon local conditions. There can be no assurance that the level of the Bank's non- performing assets will not increase above current levels. High levels of non- performing assets could have a materially adverse effect on the operations and financial condition of the Company and the Bank. The Provision for Probable **Loan-Credit** Losses May Need to Be Increased. The Bank makes a provision for **loan-credit** losses based upon management's estimate of probable losses in the loan portfolio and its consideration of prevailing economic and environmental conditions. The amount of future loan losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, which may be beyond the Company's control, and these losses may exceed current estimates. We cannot fully predict the amount or timing of losses or whether the loss allowance will be adequate in the future. The Bank may need to increase the provision for **loan-credit** losses through additional provisions in the future if, among other things, the financial condition of any of its borrowers deteriorates, if its borrower fails to perform its obligations to it, or if real estate values decline. Furthermore, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's loan portfolio, provision for **loan-credit** losses, and real estate acquired by foreclosure. Such agencies may require the Bank to recognize additions to the provision for **loan-credit** losses based on their judgments of information available to them at the time of the examination. Any additional provision for probable **loan-credit** losses, whether required as a result of regulatory review or initiated by the Company itself, may materially alter the financial outlook of the Company and the Bank and may have a material adverse effect on the Company's financial condition and results of operations. **On January 1** ~~In June of 2016,~~ **2023** the Financial Accounting Standards Board, or FASB, decided to review how banks estimate losses in the allowance calculation, and it issued the final current expected credit loss standard, or CECL. Currently, the impairment model is based on incurred losses, and investments are recognized as impaired when there is no longer an assumption that future cash flows will be collected in full under the originally contracted terms. This model will be replaced by the new CECL model that will become effective for the Company **adopted** in January 2023. Under the new CECL model promulgated under ASU 2016-13 "Financial Instruments- Credit Losses (Topic 326) - Measurement of", **which sets forth the current expected Credit-credit Losses-loss standard, or CECL. Previously, the impairment model was based on Financial Instruments"-incurred losses, and investments were recognized as impaired when there was no longer an assumption that future cash flows would be collected in full under the originally contracted terms. Under the new CECL model, we are** ~~will be~~ required to use historical information, current conditions and reasonable forecasts to estimate the expected loss over the life of the loan and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. The ASU ~~will require~~ **requires** new disclosures for financial assets measured at amortized cost, loans and available- for- sale debt securities. Entities ~~will are~~ **are required to** apply the standard's provisions as a cumulative- effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The **adoption of the standard by the Company resulted in an increase to the allowance for credit losses of \$ 5. 8 million and a liability for unfunded commitments totaling \$ 1. 3 million. These one- time cumulative adjustments resulted in a \$ 5. 6 million tax- effected decrease to retained earnings. The** transition to the CECL model ~~will bring~~ **brings** with it significantly greater data

requirements and changes to methodologies to accurately account for expected losses under the new parameters. The Company's CECL committee implemented a model from a third-party vendor and continues to refine documentation and assumptions for transitioning to the CECL model effective January 1, 2023. In addition, the Company engaged a third-party, independent firm experienced in CECL matters to perform a validation of the model. The Company currently expects to record a one-time adjustment to retained earnings to increase the allowance for loan losses. The amount of the adjustments will be impacted by each portfolio's composition and credit quality at the adoption date as well as economic conditions and forecasts at that time. Based on implementation progress to date, the Company believes the capital adequacy requirements to which it and the Bank are subject to, and its business strategies and practices, was not materially impacted following the adoption in the first quarter of 2023. Adverse Market Conditions in the U. S. Economy and the Markets in Which We Operate Could Adversely Impact the Company's Business. **General downward Unfavorable or uncertain economic trends and market conditions, including slowing or such as the current recessionary economic environment conditions**, reduced availability of commercial credit, and increasing unemployment **have may** negatively impacted **impact** the credit performance of commercial and consumer credit, resulting in additional write-downs. Concerns over the stability of the financial markets and the economy have resulted in decreased lending by financial institutions to their customers and to each other. This market turmoil and tightening of credit has led to increased commercial and consumer deficiencies, lack of customer confidence, increased market volatility and widespread reduction in general business activity. Competition among depository institutions for deposits has increased significantly. Financial institutions have experienced decreased access to deposits or borrowings. ~~The economy is currently experiencing a period of heightened inflation and rising interest rates. In addition, during the COVID-19 pandemic, our growth was bolstered by temporary government programs, such as the SBA Paycheck Protection Program (PPP) pursuant to which we issued PPP loans in 2020 and 2021. Furthermore, real estate values and the demand for commercial real estate loans have not fully recovered, and reduced availability of commercial credit and continuing unemployment have negatively impacted the credit performance of commercial and consumer credit. Additional market developments such as worsening of economic conditions in other parts of the world would likely exacerbate the lingering effects of the difficult market conditions experienced by us and others in the financial services industry and could further slow, stall or reverse the slow economic recovery in the U. S. A further deterioration of overall market conditions, a continuation of the economic downturn or prolonged economic stagnation in the Company's markets may have a negative impact on its business, financial condition, results of operations and the trading price of its common stock. If the strength of the U. S. economy in general and the strength of the economy in areas where we lend were to stagnate or further decline, this could result in, among other things, a deterioration in credit quality or a reduced demand for credit, including a resultant adverse effect on the Company's loan portfolio and provision for losses on loans. This may exacerbate the Company's exposure to credit risk, impair the Company's ability to assess the creditworthiness of its customers or to estimate the values of its assets and adversely affect the ability of borrowers to perform under the terms of their lending arrangements with us. Negative conditions in the real estate markets where we operate could adversely affect borrowers' ability to repay their loans and the value of the underlying collateral. Real estate values are affected by various factors, including general economic conditions, governmental rules or policies and natural disasters. These factors may adversely impact borrowers' ability to make required payments, which in turn, may negatively impact the Company's financial results. As a result of the difficult market and economic conditions referred to above, there is a potential for new federal or state laws and regulations regarding lending and funding practices and liquidity standards, and for bank regulatory agencies to be very aggressive in responding to concerns and trends identified in examinations. This increased government action may increase costs and limit the Company's ability to pursue certain business opportunities. We cannot predict whether the difficult market and economic conditions will improve in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult conditions on the Company, its customers and the other financial institutions in its market. As a result, we may experience increases in foreclosures, delinquencies and customer bankruptcies, as well as more restricted access to funds, and the Company's business, financial condition, results of operations and stock price may be adversely affected.~~ Smaller Commercial Borrowers May Have Fewer Financial Resources, Which May Impair Their Ability to Repay Loans. We provide lending to many small- to medium- sized customers, which frequently have fewer financial resources than larger entities (in terms of capital or borrowing capacity). Accordingly, these businesses may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete, and may experience substantial volatility in operating results, any of which may impair the borrower's ability to repay a loan. If these or other borrowers are harmed by adverse business conditions in the markets in which we operate, it may result in an adverse effect to the business, financial condition and results of operations of the Company or the Bank. The Soundness of Other Financial Institutions Could Adversely Affect Us. The Company's ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of a counterparty or client. In addition, the Company's credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. There is no assurance that any such losses would not materially and adversely affect the Company's results of operations. **The recent bank failures of Silicon Valley Bank in California, Signature Bank in New York, and First Republic Bank in California during the first and second quarters of 2023 have caused a degree of panic and uncertainty in the investor community and among bank customers generally. While the Company does not believe that the circumstances of these three banks'**

failures are indicators of broader issues with the banking system, the failures may reduce customer confidence, affect sources of funding and liquidity, increase regulatory requirements and costs, adversely affect financial markets and / or have a negative reputational ramification for the banking industry, including the Company. The Company will continue to monitor the ongoing events concerning these three banks as well as any future potential bank failures and volatility within the banking industry generally, together with any responsive measures taken by the banking regulators to mitigate or manage potential turmoil in the banking industry.

Liquidity risk could impair our ability to fund operations and meet our obligations as they become due, and failure to maintain sufficient liquidity could materially adversely affect our growth, business, profitability and financial condition. Liquidity is essential to our business. Liquidity risk is the potential that we will be unable to meet our obligations as they become due because of an inability to liquidate assets or obtain adequate funding at a reasonable cost, in a timely manner and without adverse conditions or consequences. We require sufficient liquidity to fund asset growth, meet customer loan requests, customer deposit maturities and withdrawals, payments on our debt obligations as they become due and other cash commitments under both normal operating conditions and other unpredictable circumstances, including events causing industry or general financial market stress. Liquidity risk can increase due to a number of factors, including an over- reliance on a particular source of funding or market- wide phenomena such as market dislocation and major disasters. Factors that could detrimentally impact access to liquidity sources include, but are not limited to, a decrease in the level of our business activity as a result of a slowdown in our market, adverse regulatory actions against us, or changes in the liquidity needs of our depositors. Market conditions or other events could also negatively affect the level or cost of funding, affecting our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, and fund asset growth and new business transactions at a reasonable cost, in a timely manner, and without adverse consequences. Our inability to raise funds through deposits, borrowings, the sale of loans, other sources, and our ability to maintain sufficient deposits, could have a substantial negative effect on our business, and could result in the closure of the Bank. Our access to funding sources in amounts adequate to finance our activities or on acceptable terms could be impaired by factors that affect our organization specifically or the financial services industry or economy in general. Any substantial, unexpected, and / or prolonged change in the level or cost of liquidity could impair our ability to fund operations and meet our obligations as they become due and could have a material adverse effect on our business, financial condition and results of operations. We rely on customer deposits, including brokered deposits, and to a lesser extent on advances from the FHLB and federal funds purchased to fund our operations. Although we have historically been able to replace customer deposit withdrawals, maturing deposits, and advances if desired, we may not be able to replace such funds in the future if our financial condition, the financial condition of the FHLB or market conditions were to change. FHLB borrowings and other current sources of liquidity may not be available or, if available, sufficient to provide adequate funding for operations. Deterioration in the Housing Market Could Cause Further Increases in Delinquencies and Non- Performing Assets, Including Loan Charge- Offs, and Depress the Company' s Income and Growth. The volume of one- to- four family residential mortgages and home equity lines of credit may decrease during economic downturns as a result of, among other things, a decrease in real estate values, an increase in unemployment, a slowdown in housing price appreciation or increases in interest rates. These factors could reduce earnings and consequently the Company' s financial condition because: • borrowers may not be able to repay their loans; • the value of the collateral securing loans may decline further; • the quality of the Company' s loan portfolio may decline further; and • customers may not want or need the Company' s products and services. Any of these scenarios could cause an increase in delinquencies and non- performing assets, require us to charge- off a higher percentage of loans, increase substantially the provision for losses on loans, or make fewer loans, which would reduce income. The FDIC' s Changes in the Calculation of Deposit Insurance Premiums and Ability to Levy Special Assessments Could Increase the Company' s Non- Interest Expense and May Reduce Its Profitability. The range of base assessment rates historically varies from 12 to 45 basis points depending on an institution' s risk category, with newly added financial measures resulting in increased assessment rates for institutions heavily relying on brokered deposits to support rapid asset growth. However, the Dodd- Frank Act requires the FDIC to amend its regulations to redefine the assessment base used for calculating deposit insurance assessments. On February 9, 2011, the FDIC adopted a final rule that defines the assessment base as the average consolidated total assets during the assessment period minus the average tangible equity of the insured depository institution during the assessment period. The FDIC also imposed a new assessment rate scale (which was revised further in 2016). Under the new system, banks will **generally** pay assessments at a rate between 2. 5 and 32 basis points per assets minus tangible equity, depending upon an institution' s risk category (the final rule also includes progressively lower assessment rate schedules when the FDIC' s reserve ratio reaches certain levels). The rulemaking changes the current assessment rate schedule so the schedule will result in the collection of assessment revenue that is approximately the same as generated under the current rate schedule and current assessment base. Nearly all banks with assets less than \$ 10 billion will pay smaller deposit insurance assessments as a result of the new rule. The majority of the changes in the FDIC' s final rule became effective on April 1, 2011. The FDIC has the statutory authority to impose special assessments on insured depository institutions in an amount, and for such purposes, as the FDIC may deem necessary . **The FDIC issued a final rule in November 2023 to implement a special assessment to recover the significant losses incurred by the FDIC in connection with the 2023 bank failures, but that special assessment did not apply to the Bank** . The change in the calculation methodology for deposit insurance premiums and the possible emergency special assessments could increase non- interest expense and may adversely affect the Company' s profitability. We May Elect Or Be Compelled To Seek Additional Capital In The Future, But That Capital May Not Be Available When It Is Needed. We are required by regulatory authorities to maintain adequate levels of capital to support operations. In addition, we may elect to raise additional capital to support the growth of the Company' s business or to finance acquisitions, if any, or we may elect to raise additional capital for other reasons. In that regard, a number of financial institutions have recently raised considerable amounts of capital as a result of a deterioration in their results of operations and financial condition arising from the turmoil in the mortgage loan market, deteriorating economic

conditions, declines in real estate values and other factors. Should we elect or be required by regulatory authorities to raise additional capital, we may seek to do so through the issuance of, among other things, common stock or securities convertible into common stock, which could dilute your ownership interest in the Company. Although we remain "well-capitalized" and have not had a deterioration in liquidity, the future cost and availability of capital may be adversely affected by illiquid credit markets, economic conditions and a number of other factors, many of which are outside of the Company's control. Accordingly, we cannot assure you of the ability to raise additional capital if needed or on terms acceptable to us. If we cannot raise additional capital when needed or on terms acceptable to us, it may have a material adverse effect on the Company's financial condition and results of operations. If We Are Unable to Successfully Compete for Customers in the Company's Market Area, the Company's Financial Condition and Results of Operations Could Be Adversely Affected. The Bank faces substantial competition in making loans, attracting deposits and providing other financial products and services. The Bank has numerous competitors for customers in its market area. Such competition for loans comes principally from: • other commercial banks • savings banks • savings and loan associations • mortgage banking companies • finance companies • credit unions Competition for deposits comes principally from: • other commercial banks • savings banks • savings and loan associations • credit unions • brokerage firms • insurance companies • money market mutual funds • mutual funds (such as corporate and government securities funds) Many of these competitors have greater financial resources and name recognition, more locations, more advanced technology and more financial products to offer than the Bank. Competition from larger institutions may increase due to an acceleration of bank mergers and consolidations in Missouri and the rest of the nation. In addition, the Gramm- Leach- Bliley Act removes many of the remaining restrictions in federal banking law against cross- ownership between banks and other financial institutions, such as insurance companies and securities firms. The law will likely increase the number and financial strength of companies that compete directly with the Bank. The profitability of the Bank depends on its continued ability to attract new customers and compete in its service areas. Increased competition in our markets from new competitors, as well as the expanding operations of existing competitors, may result in: • interest rate changes to various types of accounts; • a decrease in the amounts of the Bank's loans and deposits; • reduced spreads between loan rates and deposit rates; and • loan terms that are less favorable to the ~~bank~~ **Bank**. Any of these results could have a material adverse impact on the Bank's market share of deposits and loans in the Bank's service areas. If the Bank is unable to successfully compete, its financial condition and results of operations will be adversely affected. We May Experience Difficulties in Managing Growth and in Effectively Integrating Newly Acquired Companies. As part of the Company's general strategy, it may continue to acquire banks and businesses that it believes provide a strategic fit with its business. To the extent that the Company does grow, there can be no assurances that we will be able to adequately and profitably manage such growth. Acquiring other banks and businesses will involve risks commonly associated with acquisitions, including: • potential exposure to liabilities of the banks and businesses acquired; • difficulty and expense of integrating the operations and personnel of the banks and businesses acquired; • difficulty and expense of instituting the necessary systems and procedures, including accounting and financial reporting systems, to manage the combined enterprises on a profitable basis; • potential disruption to existing business and operations; • potential diversion of the time and attention of management; and • impairment of relationships with and the possible loss of key employees and customers of the banks and businesses acquired. The success of the Company's internal growth strategy will depend primarily on the ability of the Bank to generate an increasing level of loans and deposits at acceptable risk levels and on acceptable terms without significant increases in non- interest expenses relative to revenues generated. There is no assurance that we will be successful in implementing the Company's internal growth strategy. The Bank is a Community Bank and Our Ability to Maintain the Bank's Reputation is Critical to the Success of Our Business and the Failure to Do So Could Materially Adversely Affect Our Performance. The Bank is a community bank, and its reputation is one of the most valuable components of our business. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. However, employee error or employee and customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our clients or improper use of confidential information. It is not always possible to prevent employee error or misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Because the nature of the financial services business involves a high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. If our reputation is negatively affected, by the actions of our employees or otherwise, our business and, therefore, our operating results could be materially adversely affected. Fraudulent Activity Could Damage Our Reputation, Disrupt Our Business, Increase our Costs and Cause Losses. Financial institutions are inherently exposed to operational risk in the form of theft and other fraudulent activity by employees, clients and other third parties targeting us and our customers or data. Such activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering, and other dishonest acts. Although the Company devotes substantial resources to maintaining effective policies and internal controls to identify and prevent such incidents, given the increasing sophistication of possible perpetrators, the Company or the Bank may experience financial losses or reputational harm as a result of fraud. In addition, we may be required to make significant capital expenditures in order to modify and enhance our protective measures or to investigate and remediate fraudulent activity. Although we have not experienced any material business or reputational harm as a result of fraudulent activities in the past, the occurrence of fraudulent activity could damage our reputation, disrupt our business, increase our costs and cause losses in the future. ~~Phase- out of the London Inter- Bank Offered Rate (" LIBOR") and Uncertainty Relating to Alternative Reference Rates May Adversely Affect Our Results of Operations. LIBOR is used extensively as a reference rate for various financial contracts, including adjustable- rate loans, asset- backed securities, and interest rate swaps. In July 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit LIBOR~~

rates after 2021, and such date was later extended to June 30, 2023. Accordingly, continuation of LIBOR cannot be guaranteed after June 30, 2023 and alternative reference rates must be established. Management is currently evaluating the impact of this transition as it relates to new and existing contracts and customers. We will be required to implement substitute indices for the calculation of interest rates under our loan agreements and we are currently evaluating appropriate alternatives to LIBOR. Implementing the LIBOR phase-out will involve additional expense and may reduce the value of our LIBOR-based loans and securities and impact the availability and cost of hedging instruments and borrowings. If we fail to successfully execute the transition, we may be subject to disputes or litigation with clients over the appropriateness of substitute LIBOR indices. The ultimate impact of the LIBOR phase-out on the valuations, pricing and operation of our financial instruments is not yet known and difficult to predict and may adversely affect our results of operations. At December 31, 2022, \$ 10. 0 million of our loans were tied to LIBOR.

The Company's Success Largely Depends on the Efforts of its Executive Officers. The success of the Company and the Bank has been largely dependent on the efforts of David Turner, **Chairman, Executive and Director, and Brent M. Giles**, CEO, **President**, and Director, and the other executive officers. These individuals are expected to continue to perform their services. However, the loss of the services of Mr. Turner **or Mr. Giles**, or any of the other key executive officers could have a materially adverse effect on the Company and the Bank. If We Fail to Maintain an Effective System of Internal Control Over Financial Reporting, We May Not Be Able to Accurately Report Our Financial Results or Prevent Fraud, and, As a Result, Investors and Depositors Could Lose Confidence in Our Financial Reporting, Which Could Adversely Affect Our Business, the Trading Price of Our Stock, and Our Ability to Attract Additional Deposits. We are required to include in our annual reports filed with the SEC a report from our management regarding internal control over financial reporting. As a result, we documented and evaluated our internal control over financial reporting in order to satisfy the requirements of Section 404 of the Sarbanes- Oxley Act **of 2002** and SEC rules and regulations, which require an annual management report on our internal control over financial reporting, including, among other matters, management's assessment of the effectiveness of internal control over financial reporting. Failure or circumvention of our system of internal control could have an adverse effect on our business, profitability, and financial condition, and could result in regulatory actions and loss of investor confidence. Additionally, if we fail to identify and correct any significant deficiencies or material weaknesses in the design or operating effectiveness of our internal control over financial reporting or fail to prevent fraud, current and potential stockholders and depositors could lose confidence in our financial reporting, which could adversely affect our business, financial condition and results of operations, the trading price of our stock and our ability to attract additional deposits. Severe Weather, Natural Disasters, Pandemics, and Other External Events Could Significantly Impact Our Business. Severe weather, including tornadoes, droughts, hailstorms and other natural disasters, pandemics, such as the outbreak of COVID- 19, acts of war or terrorism and other adverse external events could have a significant impact on our ability to conduct business. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue or cause us to incur additional expenses. Operations in our markets could be disrupted by both the evacuation of large portions of the population as well as damage or lack of access to our banking and operation facilities. Military and political conflicts, including the current military conflict between Russia and Ukraine, may increase volatility in commodity and energy prices, create supply chain issues and cause instability in financial markets, which may adversely affect us and our clients. Other severe weather or natural disasters, pandemics, acts of war or terrorism or other adverse external events may occur in the future. Although management has established business continuity plans and procedures, the occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations. Climate Change and Responses to Climate Change May Adversely Impact Our Business, Financial Condition and Results of Operations. Concerns over the long- term impacts of climate change have led and will continue to lead to governmental efforts to mitigate those impacts. Consumers and businesses are also changing their behavior and business preferences as a result of these concerns. New governmental regulations or guidance relating to climate change, as well as changes in consumers' and businesses' behaviors and business preferences, may cause us and our customers to experience cost increases, asset value reductions, operating process changes and delays in completion of projects. To the extent that climate change and responses to climate change negatively impact the businesses and financial condition of our customers, the credit risk associated with loans and other credit exposures to those customers may increase. In addition, weather events related to climate change could adversely affect our business and the businesses of our customers.

Public Health Threats or Outbreaks of Communicable Diseases May Adversely Affect the Company's Operations and Financial Results. The Company and the Bank may face risks related to public health threats or outbreaks of communicable diseases. A widespread healthcare crisis, such as an outbreak of a communicable disease could adversely affect the global economy and the Company's financial performance. For example, the COVID- 19 pandemic destabilized the financial markets in which the Bank operates, and the effects of the pandemic continue to cause disruption in the global economies and financial markets, including the Bank's local markets. The Company and the Bank are dependent upon the willingness and ability of the Bank's customers to conduct banking and other financial transactions, which could be limited in the event of a disease outbreak or pandemic

Risks Relating to Our Regulatory Environment We May Be Adversely Affected by Changes in Laws And Regulations Affecting the Financial Services Industry. Banks and bank holding companies such as the Company are subject to regulation by both federal and state bank regulatory agencies. The regulations, which are designed to protect borrowers and promote certain social policies, include limitations on the operations of banks and bank holding companies, such as minimum capital requirements and restrictions on dividend payments. The regulatory authorities have extensive discretion in connection with their supervision and enforcement activities and their examination policies, including the imposition of restrictions on the operation of a bank, the classification of assets by an institution and requiring an increase in a bank's allowance for **loan-credit** losses. These regulations are not necessarily designed to maximize the profitability of banking institutions. In July 2010, President Barack Obama signed into law the Dodd- Frank Act, which

enacted substantial changes to the legal framework of the entire financial services industry. The Dodd- Frank Act mandates the passage of numerous rules and regulations by various regulatory agencies over the next few years. This legislation will change banking regulation and the operating environment of the Company in substantial and unpredictable ways. It could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. The Company cannot predict the impact that the Dodd- Frank Act, and the various regulations issued thereunder will have on its business. These, and other future changes in the banking laws and regulations and tax and accounting rules applicable to financial institutions, could have a material adverse effect on the operations and financial condition of the Company and the Bank. The Federal Reserve May Require the Company to Commit Capital Resources to Support the Bank. As a matter of policy, the Federal Reserve expects a bank holding company to act as a source of financial and managerial strength to its subsidiary banks. The Federal Reserve may charge the bank holding company with engaging in unsafe and unsound practices for failure to adequately commit resources to a subsidiary bank. Accordingly, we may be required to make capital injections into a troubled subsidiary bank, even if such contribution creates a detriment to the Company or its stockholders. If we do not have sufficient resources on hand to fund the capital injection, we may be required to borrow funds or raise capital. Any such loans are subordinate in right of payment to deposits and to certain indebtedness of the subsidiary bank. In the event of bankruptcy of the bank holding company, claims based upon any commitments to fund capital injections are entitled to a priority of payment over claims made by general unsecured creditors, including holders of indebtedness. Thus, any borrowing incurred by the Company to make required capital injections to the Bank are difficult and expensive, and will adversely impact our financial condition, results of operations and future prospects. The Short- Term And Long- Term Impact of the Changing Regulatory Capital Requirements and New Capital Rules is Uncertain. The federal banking agencies have substantially amended the regulatory capital rules applicable to us and the Bank. The amendments implement the Basel III Rules and changes required by the Dodd- Frank Act. The amended rules include new minimum risk- based capital and leverage ratios, which became effective in January 2015, with certain requirements to be phased in beginning in 2016, and refined the definition of what constitutes " capital" for purposes of calculating those ratios. The application of more stringent capital requirements to us and the Bank could, among other things, result in lower returns on invested capital, require the raising of additional capital, and result in regulatory actions if we were to be unable to comply with such requirements. Implementation of changes to asset risk weightings for risk based capital calculations, items included or deducted in calculating regulatory capital and / or additional capital conservation buffers could result in management modifying its business strategy and could further limit the Company' s ability to make distributions, including paying out dividends or buying back shares. The EGRRCPA directs the federal banking agencies to develop a specified CBLR (that is, the ratio of a bank' s equity capital to its consolidated assets) of not less than 8 % and not more than 10 %. On November 4, 2019, federal regulators issued final rules effective January 1, 2020 that provide certain banks and their holding companies with the option to elect out of complying with the Basel III Rules. Under this new rule, a qualifying community banking organization is eligible to elect the CBLR framework if it has a CBLR greater than 9 % at the time of election. The final rule is described in more detail above under the section entitled " Regulatory Capital Requirements." As of December 31, 2020, the Company and the Bank each qualified to elect the CBLR framework because they had a CBLR of greater than 9 % and satisfied the other requirements. The Company has not opted in to CBLR framework. The Company does not have immediate plans to elect to use the CBLR framework but may make such an election in the future. Higher FDIC Deposit Insurance Premiums and Assessments Could Adversely Affect our Financial Condition. Our deposits are insured up to applicable limits by the DIF and are subject to deposit insurance assessments to maintain deposit insurance. As an FDIC- insured institution, we are required to pay quarterly deposit insurance premium assessments to the FDIC. Growth in insured deposits at FDIC- insured financial institutions in recent years caused the ratio of the DIF to total insured deposits to fall below the current statutory minimum, and the FDIC has approved an increase in the base assessment rates to increase the likelihood that the reserve ratio of the DIF reaches the statutory minimum level by the statutory deadline. Although we cannot predict what the insurance assessment rates will be in the future, either a deterioration in our risk- based capital ratios or further adjustments to the base assessment rates could have a material adverse impact on our business, financial condition, results of operations and cash flows. Non- Compliance with the USA PATRIOT Act, Bank Secrecy Act, Real Estate Settlement Procedures Act, Truth- in- Lending Act, Community Reinvestment Act, Fair Lending Laws or Other Laws and Regulations Could Result in Fines or Sanctions, and Curtail Expansion Opportunities. Financial institutions are required under the USA PATRIOT and Bank Secrecy Acts to develop programs to prevent financial institutions from being used for money- laundering and terrorist activities. Financial institutions are also obligated to file suspicious activity reports with the U. S. Treasury Department' s Office of Financial Crimes Enforcement Network if such activities are detected. These rules also require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure or the inability to comply with the USA PATRIOT Act and Bank Secrecy Act statutes and regulations could result in fines or penalties, curtailment of expansion opportunities, enforcement actions, intervention or sanctions by regulators and costly litigation or expensive additional controls and systems. During the last few years, several banking institutions have received large fines for non- compliance with these laws and regulations. In addition, the U. S. Government imposed and will continue to expand laws and regulations relating to residential and consumer lending activities that create significant new compliance burdens and financial risks. Regulations Relating to Privacy, Information Security and Data Protection Could Increase Our Costs, Affect or Limit How We Collect and Use Personal Information and Adversely Affect Our Business Opportunities. We are subject to various privacy, information security and data protection laws, including requirements concerning security breach notification, and we could be negatively impacted by these laws. For example, our business is subject to the Gramm- Leach- Bliley Act which, among other things: (i) imposes certain limitations on our ability to share non- public personal information about our clients with non- affiliated third parties; (ii) requires that we provide certain disclosures to clients about our information collection, sharing and security practices and afford clients the right to " opt out " of

any information sharing by us with non-affiliated third parties (with certain exceptions); and (iii) requires that we develop, implement and maintain a written comprehensive information security program containing safeguards that are appropriate based on our size and complexity, the nature and scope of our activities and the sensitivity of client information we process, as well as plans for responding to data security breaches. Many state and federal banking regulators, states and foreign countries have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notifications in certain circumstances in the event of a security breach. Moreover, legislators and regulators in the U. S. and other countries are increasingly adopting or revising privacy, information security and data protection laws that potentially could have a significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of client or employee information, and some of our current or planned business activities. This could also increase our costs of compliance and business operations and could reduce income from certain business initiatives. This includes increased privacy-related enforcement activity at the federal level by the Federal Trade Commission, as well as at the state level. Compliance with any current or future laws and regulations noted above (including those regarding security breach notification) could result in higher compliance costs and could restrict our ability to provide certain products and services, which could have a material adverse effect on our business, financial conditions or results of operations. Our failure to comply with any such laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions and damage to our reputation, which could have a material adverse effect on our business, financial condition or results of operations. We are Subject to Numerous Laws Designed to Protect Consumers, Including the Community Reinvestment Act and Fair Lending Laws, and Failure to Comply with These Laws Could Lead to a Wide Variety of Sanctions. The Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The U. S. Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under the Community Reinvestment Act or fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition, results of operations and future prospects. We may be subject to liability for potential violations of predatory lending laws, which could adversely impact our results of operations, financial condition and business. We Are Subject to a Number of Other Laws and Regulations, Which May Adversely Affect the Operation of Our Business and Increase Our Costs. We are extensively regulated under U. S. federal and state law, and are subject to a number of laws and regulations in addition to banking laws and regulations, including securities, insurance and tax laws and regulations. As a company whose stock is publicly traded, we are subject to various federal and state securities laws, including the Securities Act of 1933, as amended, the Exchange Act and the Sarbanes-Oxley Act of 2002, and we file periodic reports with the Securities and Exchange Commission. In addition, because our common stock is listed with The Nasdaq Stock Market LLC, we are subject to the listing rules of that exchange. ~~Our subsidiary, Hawthorn Risk Management, Inc., is subject to the regulations of the State of Missouri and undergoes periodic examinations by the Missouri Division of Finance.~~ The Company and its subsidiaries are subject to federal and state income taxes and Missouri franchise taxes, and are potentially subject to audits by the Internal Revenue Service and state income and franchise tax examinations by the Missouri Department of Revenue. Any failure by us to comply with any laws or regulations, any change in such laws or regulations or the position of any regulatory agency with respect thereto, or any adverse result in any regulatory investigation or examination, including any tax audit or examination, could adversely affect our business, financial condition and results of operations. Technology and Vendor Risks We Are Subject to Security and Operational Risks Relating to Our Use of Technology That Could Damage Our Reputation and Our Business. We rely heavily on communications and information systems to conduct our business. Furthermore, we have access to large amounts of confidential financial information and control substantial financial assets, including those belonging to our customers, to whom we offer remote access, and we regularly transfer substantial financial assets by electronic means. Our operations are dependent upon our ability to protect our computer equipment against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. Any failure, interruption or breach in security of our systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations. Although we intend to continue to implement security technology and establish operational procedures to prevent such damage, our security measures may not be successful. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms we and our third-party service providers use to encrypt and protect customer transaction data. A failure of such security measures could have a material adverse effect on our financial condition and results of operations. We also face the risk of operational disruption, failure, termination or capacity constraints caused by third parties that facilitate our business activities by providing technology such as software applications, as well as financial intermediaries. Such parties could also be the source of an attack on, or breach of, our operational systems, data or infrastructure. We also face the potential risk of loss due to fraud, including commercial checking account fraud, automated teller machine (ATM) skimming and trapping, write-offs necessitated by debit card fraud, and other forms of online banking fraud, which are becoming more sophisticated and present new challenges as mobile banking increases, as well as employee fraud. Employee errors could also subject us to financial claims for negligence. We maintain a system of internal controls and insurance coverage to mitigate against operational risks, including data processing system failures and errors and customer or employee fraud. Should our internal controls fail to prevent or detect an occurrence, and if any resulting loss is not insured or exceeds applicable insurance limits, such failure could

have a material adverse effect on our business, financial condition and results of operations. The Operation of Our Business, Including Customer Interaction, is Increasingly Done Via Electronic Means, and This Has Increased Our Risks Related to Cybersecurity. We rely on the successful and uninterrupted functioning of our information technology and telecommunications systems to conduct our business. This includes internally developed systems, the systems of third- party service providers, and digital and mobile technologies. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems, and could damage our reputation, result in loss of customer business, subject us to regulatory scrutiny, or expose us to civil litigation and possible financial liability. We are exposed to the risk of cyber- attacks in the normal course of business, which can result from deliberate attacks or unintentional events. We have observed an increased level of attention in the industry focused on cyber- attacks that include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber- attacks may also be carried out in a manner that does not require gaining unauthorized access, such as by causing denial- of- service attacks on websites. Cyber- attacks may be carried out by third parties or insiders using techniques that range from highly sophisticated efforts to electronically circumvent network security or overwhelm websites to more traditional intelligence gathering and social engineering aimed at obtaining information necessary to gain access. The objectives of cyber- attacks vary widely and can include theft of financial assets, intellectual property, or other sensitive information, including the information belonging to our banking customers. Cyber- attacks may also be directed at disrupting our operations. We may incur substantial costs and suffer other negative consequences if we fall victim to successful cyber- attacks. Such negative consequences could include remediation costs that may include liability for stolen assets or information and repairing system damage that may have been caused; increased cybersecurity protection costs that may include organizational changes, deploying additional personnel and protection technologies, training employees, and engaging third party experts and consultants; lost revenues resulting from unauthorized use of proprietary information or the failure to retain or attract customers following an attack; litigation; and reputational damage adversely affecting customer or investor confidence. We Continually Encounter Technological Change, and We Cannot Predict How Changes in Technology Will Affect Our Business. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology driven by products and services, which include developments in: • telecommunications • data processing • automation • internet- based banking • telebanking • debit cards and so- called " smart cards" The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations. We Rely On Others to Provide Key Components of Our Business Infrastructure. Third- party vendors provide key components of our business infrastructure such as internet connections, network access and core application processing. While we have selected these third party vendors carefully, we do not control their actions. If these third- party vendors experience financial, operational or technological difficulties, perform their services poorly or terminate their services, and we are unable to replace them with other service providers, our operations could be interrupted. Any problems caused by these third parties, including as a result of their not providing us their services for any reason or their performing their services poorly, could adversely affect our ability to deliver products and services to our customers or otherwise conduct our business efficiently and effectively. If a service interruption were to continue for a significant period of time, our business, financial condition and results of operations could be adversely affected, perhaps materially. Replacing these third party vendors could also entail significant delay and additional expense. Risks Related to Our Common Stock The Price of Our Common Stock Could Fluctuate Significantly, and This Could Make it Difficult for You to Resell Shares of Our Common Stock at Times or at Prices You Find Attractive. The stock market and, in particular, the market for financial institution stocks, has experienced significant volatility during the recent **changes in economic downturn and industry conditions**. In some cases, the markets have produced downward pressure on stock prices for certain issuers without regard to those issuers' underlying financial strength. As a result, the trading volume in our common stock could fluctuate more than usual and cause significant price variations to occur. This could make it difficult for you to resell shares of our common stock at times or at prices you find attractive. The trading price of the shares of our common stock will depend on many factors that could change from time to time and could be beyond our control. Among the factors that could affect our stock price are those identified under the heading " Forward- Looking Statements" in Item 7, **Management' s Discussion and Analysis of Financial Condition and Results of Operations**, of this report and as follows: • actual or anticipated quarterly fluctuations in our operating results and financial condition; • changes in financial estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to our common stock or those of other financial institutions; • failure to meet analysts' revenue or earnings estimates; • speculation in the press or investment community generally or relating to our reputation, our market area, our competitors or the financial services industry in general; • strategic actions by us or our competitors, such as acquisitions, restructurings, dispositions or financings; • actions by our current stockholders, including sales of common stock by existing stockholders and / or directors and executive officers; • fluctuations in the stock price and operating results of our competitors; • future sales of our equity, equity- related or debt securities; • changes in the frequency or amount of dividends or share repurchases; • proposed or adopted regulatory changes or developments; • investigations, proceedings or litigation that involve or affect us; • trading activities in our common stock, including short- selling; • domestic and local economic factors unrelated to our performance; and • general market conditions and, in particular, developments related to market conditions for the financial services industry. A significant decline in our

stock price could result in substantial losses for individual stockholders and could lead to costly and disruptive securities litigation. The Trading Volume in Our Common Stock Has Been Low, and the Sale of a Substantial Number of Shares of Our Common Stock in the Public Market Could Depress the Price of Our Common Stock and Make it Difficult for You to Sell Your Shares. Our common stock is listed to trade on the ~~NASDAQ~~ Nasdaq Global Select Market, but is thinly traded. As a result, you may not be able to sell your shares of common stock on short notice. Additionally, thinly traded stock can be more volatile than stock trading in an active public market. The sale of a substantial number of shares of our common stock at one time could temporarily depress the market price of our common stock, making it difficult for you to sell your shares and impairing our ability to raise capital. Our Common Stock is Not Insured by Any Governmental Entity. Our common stock is not a deposit account or other obligation of any bank and is not insured by the FDIC or any other governmental entity. Additional Factors. Additional risks and uncertainties that may affect the future results of operations, financial condition or business of the Company and its banking subsidiary include, but are not limited to: (i) adverse publicity, news coverage by the media, or negative reports by brokerage firms, industry and financial analysts regarding the Bank or the Company; and (ii) changes in accounting policies and practices.